

**STATE COUNCIL OF HIGHER EDUCATION  
FOR VIRGINIA**

**REPORT ON AUDIT  
FOR THE PERIOD  
JULY 1, 2004 THROUGH JUNE 30, 2006**



## **AUDIT SUMMARY**

Our audit of the State Council of Higher Education for Virginia for the period July 1, 2004 through June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## **AGENCY HIGHLIGHTS**

The State Council of Higher Education for Virginia (SCHEV) is the Commonwealth's coordinating body for higher education. SCHEV's mission, as outlined in the Code of Virginia, is "to promote the development of an educationally and economically sound, vigorous, progressive, and coordinated system of higher education." SCHEV makes higher education public policy recommendations to the Governor and General Assembly in such areas as capital and operating budget planning, enrollment projections, institutional technology needs, and student financial aid. SCHEV also administers a variety of educational programs that benefit students, faculty, parents, and taxpayers.

In Fiscal Year 2006 the Tuition Assistance Grant program, which contributes funds for assistance to Virginia students attending in-state private, not-for-profit institutions, accounts for approximately 89 percent of all student financial aid distributed by the Council. The Council also administers the College Scholarship Assistance Program.

## **FINANCIAL OPERATIONS**

### **Overview**

SCHEV received over \$60 million in funding in fiscal year 2006, with General Fund appropriations representing the largest funding source. Funding has increased by more than \$10 million since fiscal year 2004, primarily due to General Fund appropriation increases for the Tuition Assistance Grant and Federal Grant funds for the GEAR-UP and No Child Left Behind programs. The following table summarizes SCHEV's budgeted expenses compared to actual results for the fiscal years.

### **Analysis of Budget to Actual Expenses, by Program**

	Fiscal Year 2006			Fiscal Year 2005
	Original Budget	Final Budget	Actual Expenses	Actual Expenses
Higher educational student financial assistance	\$ 52,408,416	\$ 51,654,846	\$ 49,053,249	\$ 48,458,588
Financial assistance for educational and general services	6,524,208	300,924	286,409	771,877
Higher education academic, fiscal, and facility planning	10,177,375	5,221,155	4,667,575	4,250,878
Higher education federal programs	1,500,000	1,648,569	648,384	1,306,285
Financial assistance for Public Education	<u>4,146,727</u>	<u>4,315,048</u>	<u>3,507,966</u>	<u>2,328,197</u>
Total	<u>\$ 74,756,726</u>	<u>\$ 63,140,542</u>	<u>\$ 58,163,583</u>	<u>\$ 57,115,825</u>

The significant difference between the Financial Assistance for Educational and General Services and the Higher Education Academic, Fiscal, and Facility Planning programs original and adjusted budget is due to Appropriation Act mandated transfers that SCHEV must make to other entities. These transfers include funding to higher education institutions for the Eminent Scholars program and to support the Virtual Library of Virginia.

The significant difference between Higher education federal programs final budget and actual expenses are timing differences between the Commonwealth's fiscal year and the federal grant fiscal year. The federal grant fiscal year ends on September 30, overlapping into the next state fiscal year. SCHEV has made transfers in the 2007 fiscal year of more than one million dollars related to the fiscal year ending June 30, 2006. More than 90 percent or \$53,048,388 of the agency's 2006 expenses were transfer payments made for scholarships. Other significant payments were payroll and fringe benefits of \$3,706,004 and contractual services of \$1,018,549, which represent 8.1 percent of total expenses for 2006.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

March 28, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **State Council of Higher Education for Virginia (SCHEV)** for the years ended June 30, 2005 and June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the SCHEV's internal controls, and test compliance with applicable laws and regulations.

## AUDIT SCOPE AND METHODOLOGY

SCHEV's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Federal grant revenues and expenditures
- Payroll expenditures
- Financial assistance and scholarship payments
- Appropriations
- Cash receipting and collections of accounts receivable

We performed audit tests to determine whether the Agency's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the SCHEV's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### CONCLUSIONS

We found that SCHEV properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. SCHEV records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on May 7, 2007.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

## AGENCY OFFICIALS

### STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA Richmond, Virginia

#### MEMBERS

Alan L. Wurtzel, Chairman

Bittle W. Porterfield, III, Vice-Chairman

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Helen E. Dragas	Margaret Lewis

Christine Milliken

Executive Director

Daniel J. LaVista, Ph.D.